

Message Text

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PAGE 01 STATE 178518

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ORIGIN ARA-20

INFO OCT-01 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00 DOTE-00

EB-11 INR-11 NSAE-00 RSC-01 FAA-00 L-03 SS-20 NSC-07

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DRAFTED BY ARA/EP:SMPRINGLE

APPROVED BY ARA:HWSHLAUDEMAN

ARA/EP/P:FBCORRY

EB/OA/AN:MSTYLES

EB/OA/AN:ARIMAS

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P 142329Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY LIMA PRIORITY

CONFIDENTIAL STATE 178518

E.O. 11652: GDS

TAGS: ETRN, PE

SUBJECT: CIVAIR - BRANIFF PROBLEM

REF: LIMA 6626

1. DE MURIAS OF BRANIFF VISITED DEP ASST SECY SHLAUDEMAN AUG 14 TO REPORT ON LATEST DEVELOPMENTS BRANIFF'S PERUVIAN OPERATIONS ALONG GENERAL LINES PARA 5 REFTEL. ACCORDING DEL SOLAR, WHO FLEW TO U.S. TO REPORT PERSONALLY TO BRANIFF, MINISTRY OF TRANSPORT HAS ALREADY DRAFTED DECREE WHICH WOULD LIMIT BRANIFF TO 34 FREQUENCIES PER WEEK (BRANIFF'S LEVEL AS OF MAY 1974). BRANIFF WOULD BE EXEMPTED FROM 20 PERCENT FIFTH FREEDOM TAX ON 7 OF THESE BUT WOULD HAVE TO PAY TAX ON REMAINING 27. (BRANIFF IS NOW PAYING TAX ON 3 OR 4 FREQUENCIES. DE MURIAS INFERS THAT TAX EXEMPTION FOR 7 FREQUENCIES MEANS AEROPERU INTENDS OPERATE 7 FREQUENCIES TO U.S.) BRANIFF DOES NOT KNOW WHEN GOP WILL ISSUE DECREE, ONLY THAT IT HAS BEEN PREPARED. DE MURIAS EXPRESSED PERSONAL BELIEF PAYMENT OF TAX ON 27 FREQUENCIES WOULD THROW BRANIFF'S LATIN AMERICAN OPERATIONS INTO RED.

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PAGE 02 STATE 178518

IN ANY CASE, SUCCESSFUL IMPOSITION OF TAX BY GOP WOULD

CLEARLY SET PRECEDENT OTHER LA GOVT'S MIGHT QUICKLY FOLLOW.
DE MURIAS BELIEVES THAT GOP WILL PRESS FOR PROMPT CONSULTA-
TIONS, EITHER ISSUING DECREE PRIOR TO CONSULTATIONS OR
USING IT AS FIRM NEGOTIATING POSITION IN CONSULTATIONS.
HE EXPRESSED DEEP PESSIMISM REGARDING OUTCOME OF CONSULTA-
TIONS UNLESS U.S. COULD RAISE THEM ABOVE PURELY AVIATION
CONTEXT, BRINGING SOME POLITICAL LEVERAGE TO BEAR OR
OFFERING SUBSTANTIAL INDUCEMENTS OF SOME TYPE.

2. SHLAUDEMAN SAID WE WOULD DO WHAT WE COULD TO ASSIST
BRANIFF BUT POINTED OUT THAT OUR LEVERAGE IS NOT GREAT.
HE SUGGESTED THAT BRANIFF PREPARE FOR CONTINUING PROBLEMS
WITH GOP WHILE EXAMINING HOW IT MIGHT REPATTERN ITS
SCHEDULE TO LESSEN DEPENDENCE ON PERU. HE SAID WE WOULD
CONSIDER HOW WE MIGHT SEEK TO PERSUADE GOP NOT TO ISSUE
DECREE PENDING CONSULTATIONS.

3. RE PARA 7 REFTEL, WE ARE WEIGHING OPTIONS AVAILABLE TO
USG, INCLUDING POSSIBILITY HOLDING CONSULTATIONS BUT
DELAYING THEM UNTIL AFTER AEROPERU COMMENCES SERVICE TO
U.S. WE WILL ADVISE EMBASSY OF FURTHER DEVELOPMENTS. KISSINGER

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